

# Australian Hotels Association

## Potential impacts of outdoor smoking regulations in hotels

### TASMANIA



**November 2010**

# Contents

Executive Summary	4
1 Introduction	6
1.1 Purpose of this study	6
1.2 Approach	6
2 Australian hotel sector	7
2.1 Sector size	7
2.2 Operations and locations	7
2.3 Product offerings and revenue sources	8
2.4 Employment characteristics	9
3 Regulatory framework	10
3.1 Australian regulatory initiatives	10
3.2 Tasmanian regulatory framework	10
4 Survey approach	12
5 The status quo in Tasmania	13
5.1 Hotels and outdoor areas	13
5.2 Smoking in alfresco dining areas	13
5.3 Expenditure on food and alcohol	14
5.4 Cleaning	14
5.5 Capital investment	15
6 Key observations	16
6.1 Overall impact of a ban	16
6.2 Indicative estimates of direct and indirect impacts	16
Appendix A - Tasmania	20
Tasmania consultations	20

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In preparing this Report we have relied on the accuracy and completeness of the information provided to us by AHA and from publicly available sources. We have not audited or otherwise verified the accuracy or completeness of the information. We have not contemplated the requirements or circumstances of anyone other than AHA.

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# Executive Summary

## This study

The Australian Hotels Association (AHA) has engaged Deloitte to consult with and survey AHA members to identify the potential impacts associated with a possible expansion of smoking restrictions to outdoor spaces in Tasmania.

The Tasmanian Government is considering expanding the current limitations on smoking in AHA member venues to include outdoor areas. The broad effect of these regulations would restrict or prohibit smoking for venues that serve food and beverages in outdoor areas.

The approach taken is based on the regulatory impact costing methodology adopted in Victoria and included the following steps:

- A scoping of the current regulatory framework for smoking in AHA member venues and proposed new regulations to develop a thorough understanding of the industry, specifically with respect to the different types of operators and how their operations differ
- The collection of qualitative and quantitative impact data from a sample of operators based on face-to-face interviews
- Based on the primary data collected from the interviews, the undertaking of a survey of comparable AHA operators to both validate the results from the interviews and collect additional information and data on the potential business impacts
- Preparation of a summary report including an estimate of the potential business impacts of regulations (direct and indirect) for the relevant group of operators covered by the project.

Alongside face-to-face consultations being conducted, the survey considered potential impacts for businesses from four different potential bans on smoking. The four potential bans considered included:

- State ban: A ban on smoking in alfresco dining areas, extending the present ban covering only 50 per cent of the outdoor dining area
- Council ban: A ban on smoking in alfresco dining areas on land Councils lease to businesses, such as footpaths
- Licensed hotel ban: A ban on smoking in all licensed outdoor dining/drinking areas in hotels
- 10 metre radius ban: A complete ban on smoking in all outdoor drinking/dining areas including those in immediate proximity to the premise (e.g. within a 10m radius).

## Key impacts observed

The operators interviewed and the participants in the survey identified the following potential impacts from the bans on smoking in alfresco dining areas:

- Customer numbers: a state ban, council ban or licensed hotel ban could cause one in five (20%) customers who currently frequent their venues to cease visiting because they may choose to entertain and/or drink at home
- Revenue from the sale of food and alcohol: based on average current expenditure on food and alcohol and on expected patron decline, for every customer, the bans were estimated by survey respondents to result in a drop in spending on food of between \$4 and \$6.50 and on on-premises alcohol of between \$3.50 and \$6.50, depending on the ban proposed
- Staff: for every 10 per cent reduction in revenue caused as a result of a ban, survey respondents estimated that they could have to reduce their staff hours by an average of 24 hours per week, and

could have to provide an average of around 2 hours of additional training to each staff member to deal with a new ban

- Venue maintenance: a ban could cause hotel staff to spend around an additional 3 hours per week cleaning up cigarette butts.
- Unfair disadvantage for some venues: hotel owners who only have alfresco dining areas on council-owned footpaths may be unfairly disadvantaged by a council-ban compared to venues that have on-premises alfresco dining areas
- Redundant capital investment: hotel owners have made significant capital investments in outdoor dining areas to accommodate their patrons who smoke and these capital investments could become redundant if a ban on smoking in outdoor dining areas is introduced
- Regulatory uncertainty: uncertainty over the changing regulatory environment for smoking in public venues may impact decisions to make further capital investment in venues to accommodate smokers when a new ban(s) may render this investment unprofitable.

# 1 Introduction

*This chapter provides an introduction to this report.*

## 1.1 Purpose of this study

A number of jurisdictions at both the State and local government level have either introduced or are considering expanding the current limitations on smoking in Australian Hotels Association (AHA) member venues to include outdoor areas. The broad effect of these regulations could restrict or prohibit smoking for venues that serve food and beverages in outdoor areas.

The AHA has engaged Deloitte to consult with and survey AHA members to identify the potential impacts associated a possible expansion of smoking restrictions to outdoor spaces in Tasmania.

Expanded smoking regulations could have a significant operational impact on AHA members across Australia. The objective of this study was to scope and articulate the likely impacts of increasing restrictions on outdoor smoking in areas with a particular focus on the cumulative potential business impacts of existing and new regulations on a range of businesses.

## 1.2 Approach

Our approach for undertaking this study was based on the regulatory impact costing methodology adopted in Victoria and included the following steps:

- Scope the current regulatory framework for smoking in AHA member venues and proposed new regulations to develop a thorough understanding of the industry, specifically with respect to the different types of operators and how their operations differ
- Collect qualitative and quantitative impact data from a sample of operators based on face-to-face interviews
- Based on the primary data collected from the interviews, undertake a survey of comparable AHA operators to both validate the results from the interviews and collect additional information and data on the operational impacts
- Prepare a summary report including an estimate of potential business impacts of regulations (direct and indirect impacts) for the relevant group of operators covered by the project.

The purpose of face-to-face interviews with operators was to collect qualitative and quantitative impact data. The consultation interviews took place in Tasmania, New South Wales and Victoria with between four and six interviews per state (including metropolitan and non-metropolitan operators per state). The operators were asked general questions about their current experience with smoking in outdoor dining areas and their views on the potential impact of bans on smoking in these areas.

The purpose of the online survey of AHA operators was to validate the results from the interviews and collect additional information and data on the potential business impacts of proposed bans on smoking in alfresco areas.

This paper focuses on the proposed regulation in Tasmania and the associated estimated costs faced by Tasmanian AHA members. Following an outline of the hotel sector in Australia and regulation in Tasmania in Chapters 2-3, collective results of the face-to-face interviews and surveys will be presented in Chapters 5-6. Detailed case studies of the interviews are located within Appendix 1.

# 2 Australian hotel sector

*This chapter provides an overview of the hotel sector in Australia.*

The AHA is the peak body representing the Australian hotel sector, which includes hotels, pubs, bars, and restaurants that serve alcoholic beverages in a licensed venue.

## 2.1 Sector size

There are a number of sources on the size of the Australian hotel sector. The most recent ABS data on the hotel industry was published in 2006 and involved a survey of businesses engaged in pubs, taverns, bars and hospitality club services. From this survey, it was reported that in the 2005 financial year there were 3,454 hotel businesses operating in Australia, down from 4,252 premises a year earlier.<sup>1</sup>

IBISWorld's industry report on *Pubs, Taverns and Bars in Australia* deals with hotels, bars or similar establishments (except licensed clubs) mainly engaged in selling alcoholic beverages for consumption on the premises or in selling alcoholic beverages for consumption both on and off the premises (e.g. from on-site bottle shops). For this industry report, IBISWorld used ABS data to estimate that in 2009-10 there were 3,894 hotel businesses.<sup>2</sup>

The AHA commissioned a 2009 PricewaterhouseCoopers study on the hotel industry's size, scope and composition, entitled *Australian Hotels – More than just a drink and a flutter: An Overview of the Australian Hotels Industry* (AHA study). This AHA study suggested that the ABS and IBISWorld had underestimated the number of hotels in the industry.<sup>3</sup> According to the AHA study, the AHA's membership exceeds 4,800 hotels, including 600 hotels that the ABS would classify as providing accommodation, and that there may be as many as 6,807 hotels in Australia.<sup>4</sup>

## 2.2 Operations and locations

The industry is dominated by smaller businesses, highlighted by the fact that the top four operators in the hotel industry combined hold less than 15 per cent of the market share in 2010.<sup>5</sup> Hotels are also increasingly competing against restaurants, cafes, supermarkets and retail liquor stores.<sup>6</sup>

The industry is concentrated in line with population share (see Figure 2.1 below).

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<sup>1</sup> ABS, *Clubs, Pubs, Taverns and Bars 2004-05*, Cat 8687.0.

<sup>2</sup> IBISWorld, 2010, *Pubs, Taverns and Bars in Australia*, April.

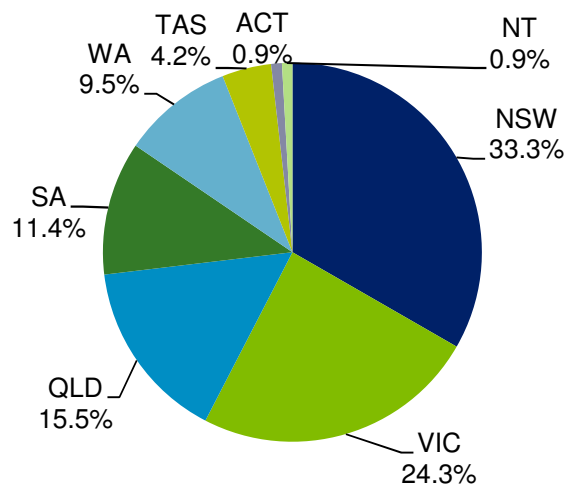
<sup>3</sup> PricewaterhouseCoopers, 2009, *Australian Hotels – More than just a drink and a flutter: An Overview of the Australian Hotels Industry*, April.

<sup>4</sup> PricewaterhouseCoopers, 2009, *Australian Hotels – More than just a drink and a flutter: An Overview of the Australian Hotels Industry*, April.

<sup>5</sup> IBISWorld, 2010, *Pubs, Taverns and Bars in Australia*, April.

<sup>6</sup> IBISWorld, 2010, *Pubs, Taverns and Bars in Australia*, April.

Figure 2.1: Business locations, 2010

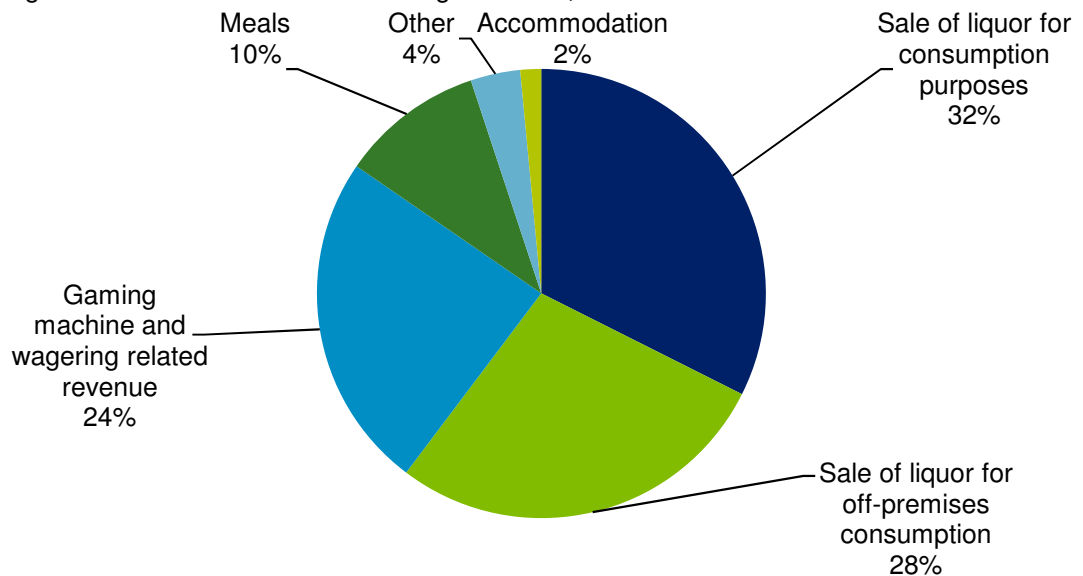


Source: IBISWorld, 2010, *Pubs, Taverns and Bars in Australia*, April.

## 2.3 Product offerings and revenue sources

Hotels provide various facilities ranging from bistro/restaurant, retail bottle shop, gaming facilities (e.g. TAB and keno), and other entertainment (e.g. live music). Approximately 85 per cent of total revenue earned by hotel operators is derived from three main services: sale of liquor for immediate consumption on-premises; sale of liquor for consumption off-premises – from associated retail liquor/bottle shops; and gaming and wagering activities.<sup>7</sup> The remainder is derived from meal services, accommodation and other areas (see Figure 2.2).<sup>8</sup>

Figure 2.2: Products and services segmentation, 2010



Source: IBISWorld, 2010, *Pubs, Taverns and Bars in Australia*, April.

Product offerings in this industry are defined by the demands and preferences of consumers. Although overall alcohol consumption in per capita terms has increased slightly since 2004, alcohol consumption has been declining as a proportion of total household expenditure.<sup>9</sup> There have also been

<sup>7</sup> IBISWorld, 2010, *Pubs, Taverns and Bars in Australia*, April.

<sup>8</sup> IBISWorld, 2010, *Pubs, Taverns and Bars in Australia*, April.

<sup>9</sup> IBISWorld, 2010, *Pubs, Taverns and Bars in Australia*, April.

significant changes in consumer preferences around the type of alcohol consumed (from beer to wine and pre-mixed drinks) and in the way it is consumed (in packaged form rather than bulk or over the counter/bar).<sup>10</sup>

The introduction of gaming machines in hotels has significantly increased demand and revenue for the hotel industry and it is now heavily segmented into establishments that do have gaming facilities and those that do not.

The earlier introduction of indoor smoking bans had an effect on gaming revenue, and thus overall hotel revenue, in most states. It is believed that some hotels patrons may have adjusted to the smoking bans, particularly non-smokers who may increase their patronage and food and beverage expenditure. In response, some establishment also built outdoor smoking areas to accommodate for their smoking patrons, which led to significant building and construction activity in this industry. The AHA estimates that the industry has invested over \$1 billion nationally in hundreds of pub and club renovations to comply with the new smoking legislation.<sup>11</sup> Revenue has also reportedly dropped with initial revenue falls of between 10 per cent and 15 per cent in hotels affected by smoking bans reported in late 2007 by some operators in New South Wales and Queensland.<sup>12</sup>

## 2.4 Employment characteristics

Employment data in the hotel sector reports mixed results. The ABS reported that total employment in the hotel industry during the 2005 financial year was 81,675 and industry revenue was approximately \$11.1 billion.<sup>13</sup> Similarly, IBISWorld estimates the industry employed 79,332 people in 2009-10, with total revenue of \$14.1 billion.<sup>14</sup> However in contrast, the AHA study, which used a method of extrapolation in relation to the larger states in Australia and relied on the AHA estimate of 6,807 hotels across Australia, suggested that these figures were too low and estimated the overall industry employment figure to be as high as 188,000.<sup>15</sup>

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<sup>10</sup> IBISWorld, 2010, *Pubs, Taverns and Bars in Australia*, April.

<sup>11</sup> AHA, 2008, *Our Hotel: Special Local Government Edition*, available at <http://www.aha.org.au/booklet2008.pdf>, accessed 11 July 2010.

<sup>12</sup> IBISWorld, 2010, *Pubs, Taverns and Bars in Australia*, April.

<sup>13</sup> ABS, *Clubs, Pubs, Taverns and Bars 2004-05*, Cat 8687.0.

<sup>14</sup> IBISWorld, 2010, *Pubs, Taverns and Bars in Australia*, April.

<sup>15</sup> PricewaterhouseCoopers, 2009, *Australian Hotels – More than just a drink and a flutter: An Overview of the Australian Hotels Industry*, April.

# 3 Regulatory framework

*This chapter outlines the regulatory framework.*

## 3.1 Australian regulatory initiatives

Across Australia there have been a number of moves at both state and council levels to introduce various regulations in relation to smoking. Figure 3.1 on the next page illustrates the timeline of such changes across Australia.

## 3.2 Tasmanian regulatory framework

From 1 January 2006, a smoking ban in all inside areas and 50 per cent of outdoor dining areas of hotels and clubs was introduced in Tasmania.<sup>16</sup> Whereby an outdoor area is defined as having a roof and perimeter where no more than 50 per cent of the perimeter consists of walls and windows.<sup>17</sup>

On 31 May 2010, the Tasmanian Minister for Health announced the development of a discussion paper and consultation process to review smoking legislation, including the consideration of a ban on smoking in all alfresco dining areas in Tasmania.<sup>18</sup> A discussion paper was released on 30 August 2010, outlining 12 proposals, including two relating to hotels:

- A ban on smoking in all outdoor dining areas
- Removal of the three metre exemption which permits patrons to smoke at tables within three metres of an entrance or exit to a dining establishment.<sup>19</sup>

Meanwhile, local councils have also been looking at introducing smoking bans on council land. The Hobart City Council has banned smoking in the Elizabeth Street Mall, Hobart Bus Mall and Wellington Court from August 1 2010. It is also considering introducing requirements for businesses with occupation licences over Council controlled land for alfresco dining/drinking to prohibit smoking within the leased area commencing 1 August 2011.<sup>20</sup>

The Launceston City Council has banned smoking in licensed on-street dining areas, to come into effect on 1 January 2011.<sup>21</sup>

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<sup>16</sup> *Public Health Act 1997.*

<sup>17</sup> *Public Health Act 1997.*

<sup>18</sup> Michelle O’Byrne, 2010, *Review of Smoking Legislation Announced on World No Tobacco Day*, media release, 31 May, Office of the Minister for Health, accessed 18 June 2010, <http://www.media.tas.gov.au/release.php?id=29660>.

<sup>19</sup> Tasmanian Government, 2010, *Building on our Strengths: Public Health Act 1997 Discussion Paper*, August, accessed 1 September 2010.

<sup>20</sup> Hobart City Council City Services Committee Meeting Minutes, Wednesday 28 April 2010, available at [http://www.hobartcity.com.au/files/75c3799b-eb8c-48de-a8ff-9d6c00df8d02/280410\\_Open\\_CSC\\_Minutes.pdf](http://www.hobartcity.com.au/files/75c3799b-eb8c-48de-a8ff-9d6c00df8d02/280410_Open_CSC_Minutes.pdf), accessed 29 June 2010.

<sup>21</sup> Launceston City Council, 2010, *Diners to eat in a smoke free environment*, media release, available at [http://www.launceston.tas.gov.au/upfiles/lcc/cont/about\\_council/pdfs/news\\_and\\_publications/media\\_info/media\\_release\\_smoking\\_ban\\_in\\_licensed\\_onstreet\\_dining\\_areas\\_150210.pdf](http://www.launceston.tas.gov.au/upfiles/lcc/cont/about_council/pdfs/news_and_publications/media_info/media_release_smoking_ban_in_licensed_onstreet_dining_areas_150210.pdf), accessed 29 June 2010.

Figure 3.1: Timeline of changes to smoking regulation



# 4 Survey approach

*This chapter outlines our survey approach.*

One of the primary challenges with any regulatory costing exercise is the collection of data on the likely costs associated with a new legislation. The challenge arises from the possibility that many businesses may not be aware of, or have not started to consider, the potential impact on their business.

For this reason, initial data on impacts was gathered through a set of face-to-face interviews with a sample of hotel owners in Tasmania.

Following the face-to-face consultations with hotel owners in Tasmania, an online survey of AHA operators was developed to validate the results from the consultations and collect additional information and data on the potential business impacts of proposed bans on smoking in alfresco areas.

The Tasmanian Hospitality Association, the state branch of the AHA, provided contacts for the consultations and once the survey was developed, it was circulated to its members.

The format for each interview and the survey were similar and involved the following key themes:

- A brief introduction on the potential ban
- Questions about the hotel owner's business and outdoor dining areas (if any)
- Questions about how the hotel currently manages smoking
- Questions about capital investment to accommodate smokers
- Specific hypothetical questions about potential impacts for businesses from four different potential bans on smoking. The four potential bans considered included:
  - **State ban:** A ban on smoking in alfresco dining areas, extending the present ban covering only 50 per cent of the outdoor dining area
  - **Council ban:** A ban on smoking in alfresco dining areas on land Councils lease to businesses, such as footpaths
  - **Licensed hotel ban:** A ban on smoking in all licensed outdoor dining/drinking areas in hotels
  - **10 metre radius ban:** A complete ban on smoking in all outdoor drinking/dining areas including those in immediate proximity to the premise (e.g. within a 10m radius).
- Questions about potential impacts ranged from those on customer numbers to those impacts on venue maintenance.

# 5 The status quo in Tasmania

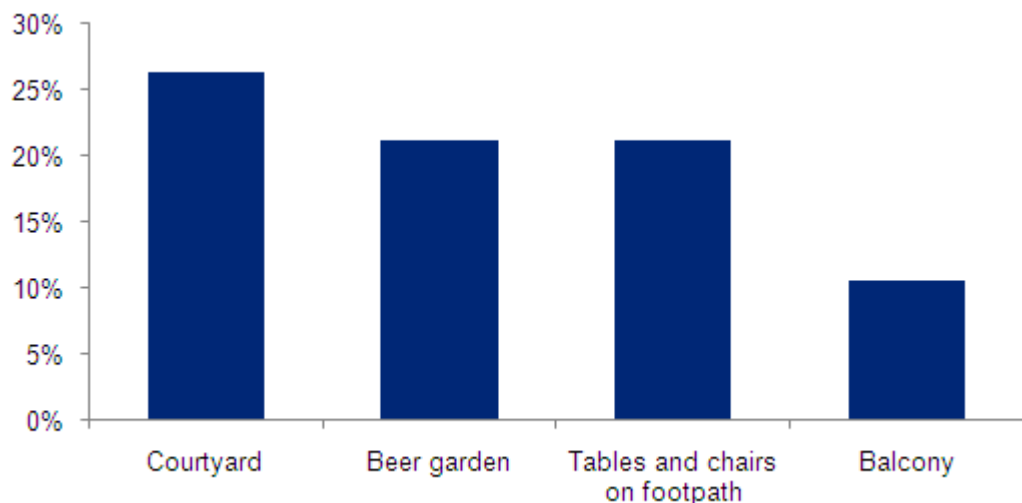
*This chapter presents the results on demographics from our survey.*

## 5.1 Hotels and outdoor areas

Tasmanian AHA members run a variety of business types, with the most common types being a hotel with accommodation and a bar with restaurant (both 41%). Other types of businesses included restaurants, bars with gaming venues, bars with bottle shops, bars or nightclubs, cafes and other venues.

Most survey respondents indicated that they could be potentially affected by the ban. It was found that 84 per cent of AHA member venues have an outdoor area, the most common being a courtyard, followed by a beer garden, footpath area, and balcony (as shown in Figure 5.1 below).

Figure 5.1: Type of outdoor area



## 5.2 Smoking in alfresco dining areas

Currently, almost one in five (18%) customers is estimated to smoke while dining at AHA member venues in Tasmania and therefore could be affected by any one of the four potential bans.

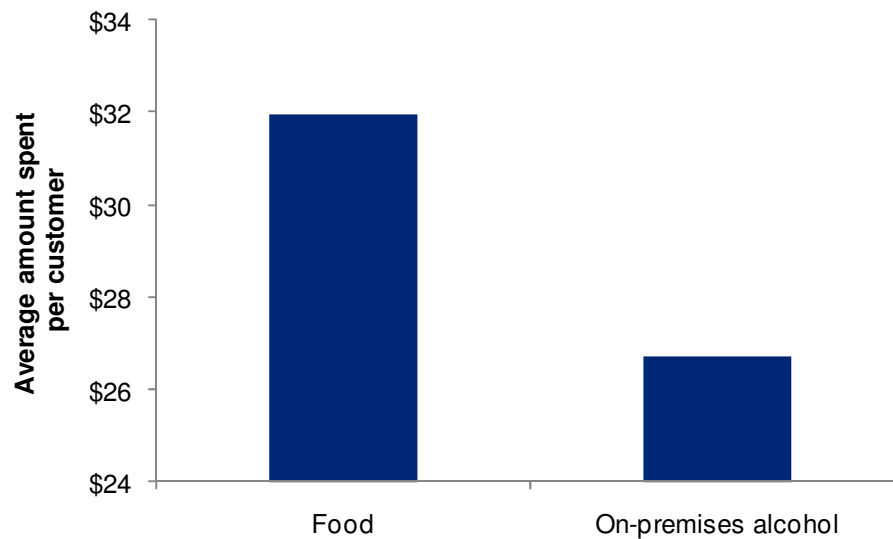
Most AHA member venues currently accommodate smokers in or close to their venues, with approximately 64 per cent of venues with outdoor dining areas currently permitting smoking in these areas and the majority of venues (82%) having an appropriate space within 10 metres of the venue for patrons to smoke.

Tasmania already has a ban on smoking in 50 per cent of a venue's alfresco dining area. More than half (56%) of survey respondents indicated that they designate most of their venue's remaining alfresco dining area (between 41-50 per cent of tables in these alfresco dining areas) for smokers.

## 5.3 Expenditure on food and alcohol

Revenue at AHA member venues, and in particular in alfresco dining areas, is generated through the sale of food and alcohol. The average amount spent by a customer at an AHA member venue on food and alcohol is estimated to be approximately \$29 for each (as shown in Figure 5.2 below).

Figure 5.2: Amount spent per customer on food and alcohol



## 5.4 Cleaning

AHA member venues currently provide their patrons with various means of disposing of their cigarette butts and most venues sweep or hose their premises to clean up cigarette butts. Figure 5.3 provides a breakdown of such disposal and cleaning procedures in place.

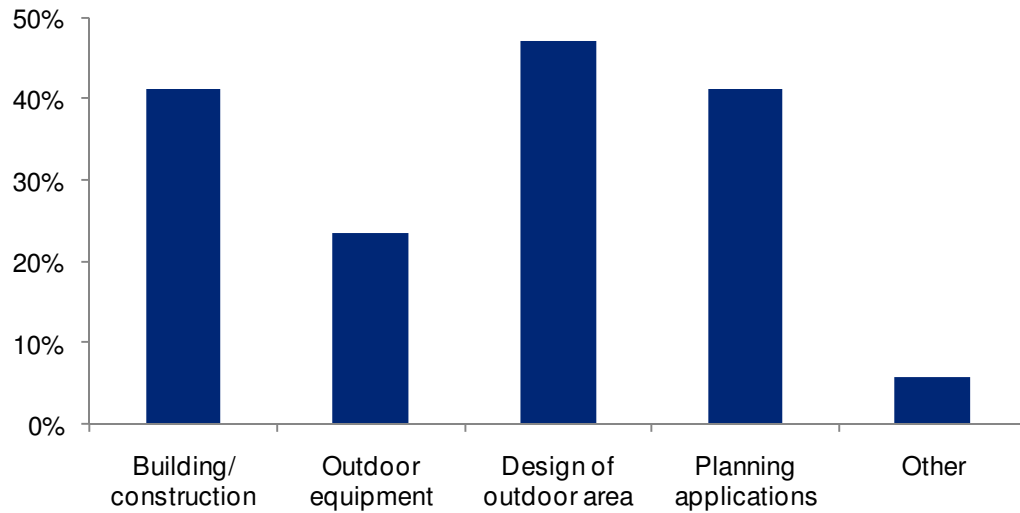
Figure 5.3: Disposing of and cleaning up cigarette butts

Percentage of venues that dispose or clean:	Percentage
<b>Disposal</b>	
Provide cigarette butt disposal bins for their patrons	59%
Provide ashtrays on outdoor tables	47%
Provide sand-pots	29%
Provide a general waste bin	11%
<b>Cleaning</b>	
Sweep or hose the areas on their premises to remove cigarette butts	76%
Sweep or hose areas off their premises (e.g. footpath, gutter)	35%
Do not sweep or hose.	6%

## 5.5 Capital investment

Almost two-thirds (65%) of venues have invested in some form of capital improvement in the past 5 years to accommodate smokers at their premises. The average spend on such capital improvement was \$125,000 per venue. As shown in Figure 5.4, the most common forms of capital investment are design, building/construction and planning applications.

Figure 5.4: Capital investment



# 6 Key observations

*This chapter presents the results on impacts from our survey.*

## 6.1 Overall impact of a ban

Overall, survey respondents indicated that each of the four proposed bans was likely to have an impact on their business. In particular, respondents felt that customers who currently smoke at the venues may stop visiting or may stay at the venue for less time. This may also result in reduced patronage from friends of smokers.

### Quote from a consulted hotelier

***“A ban on smoking in alfresco areas would be very bad for my business. We already suffered a huge profit loss from the smoking ban in our gaming areas. My patrons who smoke won’t come here anymore if they couldn’t smoke while dining.”***

Most (89%) survey respondents who currently permit smoking in their alfresco dining area(s) thought that a State Government ban on smoking in alfresco dining areas in hotels could have an impact on their business.

Similarly, three-quarters (75%) of survey respondents whose venues currently have tables and chairs on the footpath thought a council ban on smoking on council-owned land in hotels could impact their business.

Almost two-thirds (65%) of all survey respondents thought a complete ban on smoking in all outdoor drinking and dining areas in hotels could have an impact on their business.

The same proportion (65%) of all survey respondents thought a complete ban on smoking in all outdoor drinking and dining areas in hotels including within a 10 metre radius of the hotel could impact their business.

### Quote from a consulted hotelier

***“A ban on smoking in alfresco areas would significantly affect business. 30 per cent of my patrons smoke and half of them won’t return if they couldn’t smoke. Also, security is already an issue and the smoking ban would increase security issues. The ban might also affect revenue enough for me to have to lay off some of my staff.”***

## 6.2 Indicative estimates of direct and indirect impacts

Survey respondents identified two categories of potential impacts from the bans on smoking in alfresco dining areas:

- Direct impacts – if introduced, the bans on smoking in alfresco dining areas may have a direct impact on day-to-day operations for hoteliers, including customer numbers and customers’ expenditure on food and alcohol
- Indirect impacts – if introduced, the bans have the potential to affect staffing costs and the maintenance and cleaning of hotels.

Hoteliers also identified unintended consequences of the bans such as creating unfair disadvantages for venues without alfresco dining areas on their premises, regulatory uncertainty, and redundant capital investment.

## 6.2.1 Direct impacts

As mentioned above, the potential direct impacts of the bans on smoking include reductions in customer numbers and reduced revenue from the sale of food and alcohol.

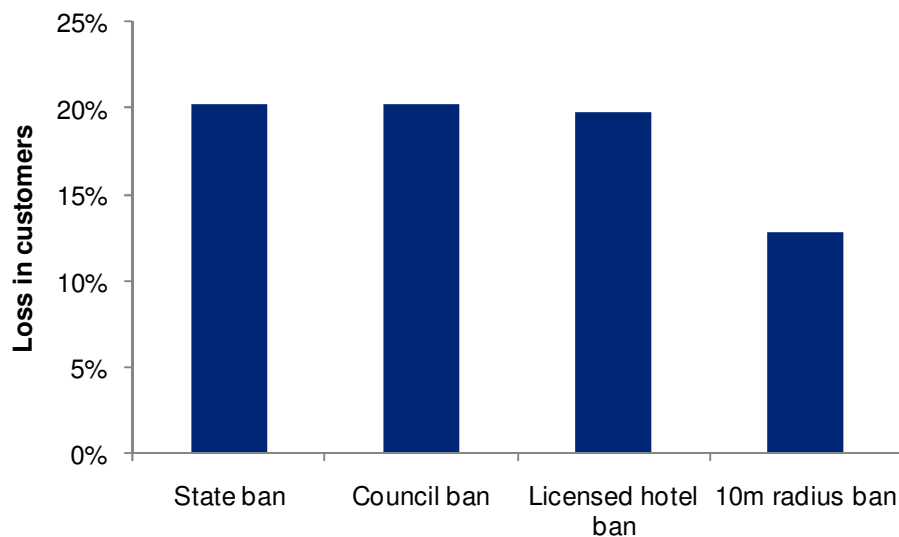
### 6.2.1.1 Customer numbers

Survey respondents estimated that a state ban, council ban or licensed hotel ban could cause one in five (20%) customers who currently frequent their venues to cease visiting because they may choose to entertain and/or drink at home. Survey respondents thought a 10m radius ban could cause a slightly smaller reduction in customers of approximately 13 per cent. The smaller expected reduction in customers for the 10m radius ban may be because hotel owners expect:

- Under the first three bans smokers may still be inclined to step outside the venue to smoke and then may choose not return to the venue
- Under the 10m radius ban, smokers may be less inclined to leave the venue to smoke as they could have to walk further away to smoke, particularly during winter.

Figure 6.1 shows the potential impacts that the bans may have on customer numbers.

Figure 6.1: Estimated impact of bans on customer numbers



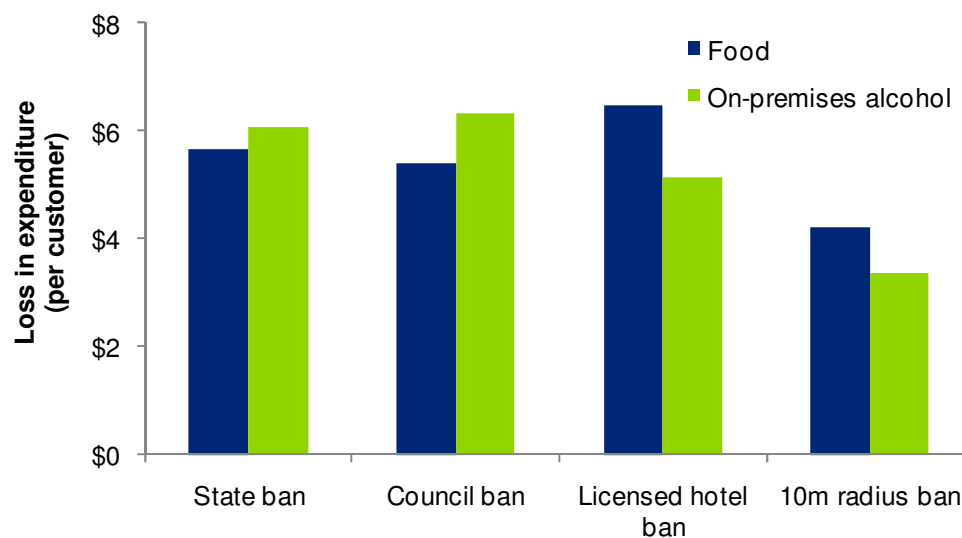
### 6.2.1.2 Revenue from the sale of food and alcohol

Revenue effects can be assuaged through impacts of the potential bans on customer expenditure on food and alcohol at their venues. Despite respondents estimating there to be a minimal change in customer expenditure on off-premises liquor, the expected revenue losses from reduced customer expenditure on food and on-premises alcohol could be significant. Based on average current expenditure on food and alcohol and on expected patron decline, for every customer, the bans were estimated by survey respondents to result in:

- A drop in spending on food of between \$4 and \$6.50, depending on the ban proposed
- A drop in spending on on-premises alcohol of between \$3.50 and \$6.50, depending on the ban proposed.

Figure 6.2 shows the potential impacts that bans may have on food at alcohol expenditure.

Figure 6.2: Potential impacts of bans on food and alcohol expenditure



## 6.2.2 Indirect impacts

Various indirect impacts from a ban may arise. These may range from affecting staffing costs and the maintenance and cleaning of hotels, to unintended consequences of the bans such as creating unfair disadvantages for venues without alfresco dining areas on their premises, regulatory uncertainty, and lost capital investment.

### 6.2.2.1 Staff

Survey respondents indicated that the bans could have impacts on both staff employment and staff training.

For every 10 per cent reduction in revenue caused as a result of a ban, survey respondents estimated that they could have to reduce their staff hours by an average of 24 hours per week, with a council ban and state ban having the greatest expected impacts on staff hours.

Regardless of the type of ban, survey respondents also estimated that they could have to provide an average of around 2 hours of additional training to each staff member to deal with a new ban.

### 6.2.2.2 Venue maintenance

The bans may also have an impact on venue maintenance, by making smokers move further away from a venue and creating additional work for venue staff to clean up disposed cigarette butts. This is because staff may feel obliged to clean these additional areas.

Survey respondents indicated that a ban could cause them to spend on average around 3 hours extra per week cleaning up cigarette butts.

#### Quote from a consulted hotelier

*“If my patrons started moving further from the restaurant to smoke, I’d feel obliged to clean these areas in addition to the areas I already clean.”*

### 6.2.2.3 Unfair disadvantage for some venues

Some hotel owners also indicated that they felt some of the bans could unfairly disadvantage them vis-à-vis other venues. For example, hotel owners who only have alfresco dining areas on council-owned footpaths may be unfairly disadvantaged by a council-ban compared to venues that have on-premises alfresco dining areas.

#### 6.2.2.4 Regulatory uncertainty

Uncertainty over the changing regulatory environment for smoking in public venues may impact decisions to make further capital investment in venues to accommodate smokers when a new ban(s) may render this investment unprofitable.

**Quote from a consulted hotelier**

*“Earlier this year I obtained Council approval for the construction of a large outdoor alfresco area, to use as a function area where my patrons could smoke. I had expected to fit 100 people in it and charge \$250 per head for the functions. But the introduction of a ban on smoking in alfresco areas would significantly affect the business and I doubt whether the construction of the outdoor alfresco area will go ahead.”*

#### 6.2.2.5 Redundant capital investment

Survey respondents have indicated that they have made significant capital investments in outdoor dining areas to accommodate their patrons who smoke and these capital investments could become redundant if a ban on smoking in outdoor dining areas is introduced.

Approximately 65 per cent of respondents have made capital investments in the past five years to accommodate smokers at their venues. The amounts invested in alfresco dining areas range from several hundred dollars to almost \$700,000 with an average capital investment of \$126,000.

If smoking is banned in these alfresco dining areas, the investments hotel owners have made constructing the areas may be redundant and venue owners may struggle to make a return on their capital investment.

# Appendix A - Tasmania

## Tasmania consultations

### Case Study 1 – Metropolitan hotel

*This venue is a large pub in Hobart that provides café/restaurant, bar, live music and gaming facilities. It has outdoor tables on a main street in front of the venue.*

This venue has approximately 18 seats outside on the street in front of the venue and 160 seats inside. Patrons can dine, drink and smoke at all the outdoor tables/seats. During summer, the windows next to the tables are open and patrons can sit outside and listen to the music.

The venue currently has 3 council-supplied stainless steel “Butt Out” cigarette bins, ashtrays on all outside tables, and hoses down the pavement in front of the venue twice a week. Security is not a large issue at the venue however the venue does have security guards on Saturday nights to monitor who enter the premises.

The venue owner believes the introduction of a ban on smoking in alfresco areas would be very detrimental to his business, which already suffered a 40 per cent profit loss from the smoking ban in its gaming areas. He estimates that 50 per cent of his patrons smoke and that 25-30 per cent of those would no longer come to his venue if they couldn’t smoke while dining. His regular patrons spend approximately \$120-150 per couple per night on food and drinks. He also anticipates no longer being able to afford to host live bands at his venue in the summer.

The owner believes enforcing the proposed smoking ban would be difficult. He also thought that his venue would be unfairly disadvantaged compared to venues with alfresco dining away from the street because smoking in these areas would be less obvious to enforcers than smoking in an area that is on the street in front of a venue, as is the case for his venue.

In addition, the owner believes that if smoking was banned and patrons had to move further away from the venue to smoke, he would expect the council to be responsible for cleaning up cigarette butts.

### Case Study 2 – Regional hotel

*This venue is a regional hotel in northern Tasmania that provides restaurant, bar, accommodation, live music, conference, wedding and party facilities.*

This venue has approximately 32 seats outdoors on the street in front of the venue and 170 seats indoors.

The venue’s owner decided to introduce a designated smoking area of four tables and signage indicating where patrons can and cannot smoke. He also introduced his own ‘pub rules’, according to which patrons may sit, drink and smoke on the designated smoking tables but they may not eat. He has found that while some patrons have had to be reminded not to take food over to the smoking tables, generally patrons leave the dining areas temporarily to smoke in the smoking areas and then return to the non-smoking, dining areas.

The venue currently has stainless steel “Butt Out” cigarette bins and ashtrays on the smoking tables. While the cleaning up of cigarette rubbish is an issue, the operator felt that it is not significant. The venue does not have security guards but does have security cameras. The venue already deals with some aggression, including in relation to the venue’s smoking rules, however the majority of patrons understand and observe the rules.

The owner believes that the introduction of a ban on smoking in alfresco areas would affect businesses in the area equally. That is, because all businesses would no longer be allowed to have dining areas that people can smoke in; there would be no impact on patronage. He believed the ban would need to be enforced properly, not just on the street but also in the venues, including in beer gardens etc. If patrons were forced to move further away from the venue to smoke, the owner would expect the council to clean up any cigarette rubbish that was dropped by patrons on land outside his premises.

### Case Study 3 – Metropolitan hotel

*This venue is a boutique pub in Launceston that provides restaurant, bar, and accommodation facilities.*

The venue has approximately 40 seats outdoors on the street in front of the venue and 100 seats indoors. Half of the outdoor tables/seats are designated smoking areas with signage, where patrons can dine, drink and smoke, while the other half of tables/seats are for non-smoking dining and drinking. There is a gap between the pub and the outdoor tables with the footpath in the middle.

The venue currently has stainless steel “Butt Out” cigarette bins and ashtrays on the smoking tables. The venue also has security guards.

The venue has obtained Council approval for the construction of a large outdoor alfresco area, to seat 100 people, for use as a function area where patrons could smoke. It had expected to charge \$250 per head for functions in this area.

The venue's owner believes the introduction of a ban on smoking in alfresco areas would significantly affect the business. Approximately 80 per cent of people who sit outside are smokers and the owner estimates that 65-70 per cent of those patrons would not come to the venue if they couldn't smoke. The patrons that sit on the outdoor tables spend approximately \$200 on food and \$50 on drinks per table and the venue estimates the outdoor tables have up to 7-8 sittings per day. The venue's owner also doubts whether the construction of the outdoor alfresco area will go ahead if the smoking ban is introduced. The owner also thought that the ban might cause enforcement issues and in particular, footpath congestion where patrons stand to smoke.

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### Case Study 4 – Metropolitan coffee shop

*This venue is a small, non-licensed coffee shop in a mall in Hobart. It serves hot drinks, and a small amount of food such as biscuits.*

The venue has 6 seats in the winter and 18 seats in the summer, all of which are outside in the mall. Half of the tables are designated as smoking with signage.

The venue sweeps cigarette butts twice a day, including the area directly outside their premises. It doesn't have security issues.

The venue's owner believes a ban on smoking in alfresco areas might reduce sales by up to 35-40 per cent. Each patron is estimated to spend approximately \$4.50-6.50. The owner believes it would take the business 2-4 years to recover its sales and revenue after the introduction of a smoking ban.

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### Case Study 5 – Metropolitan restaurant/bar

*This venue is a restaurant/bar in Hobart that provides restaurant, bar and DJ music facilities.*

The venue has approximately 70 outdoor seats on the street in front of the venue and 100 seats indoors. Half of the outdoor tables are designated as smoking with signage.

The venue provides ashtrays on the smoking tables and has security in the form of security guards on weekend nights and cameras.

The venue's owner believes a ban on smoking in alfresco areas would significantly affect business. He estimates 30 per cent of his patrons smoke and that half of these patrons would not return to the venue if they couldn't smoke. He estimates that these patrons spend approximately \$50 each per night. He also believes that security is already an issue and that the smoking ban would increase security issues. The owner thought that the ban might cause patrons to smoke on the street in front of the venue however it would be the council's responsibility to clean up any rubbish there. The owner also thought the ban might affect revenue enough for him to have to lay off some of his casual staff, although he couldn't estimate how many.

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